HOUSING MARKET OUTLOOK
Regina CMA

CANADA MORTGAGE AND HOUSING CORPORATION

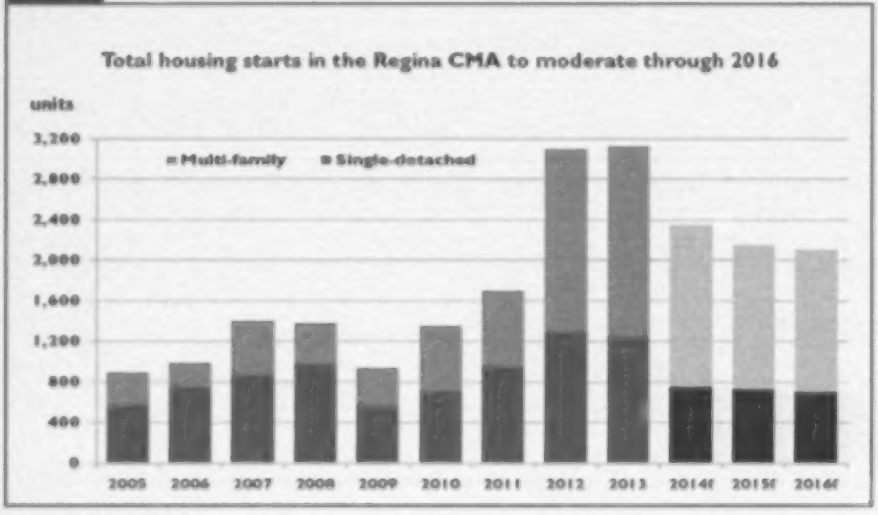
Date Released: Fall 2014

Highlights[1]

- Rising new home inventory and elevated resale supply to prompt fewer housing starts through 2016
- Existing home sales to remain relatively stable through 2016, resale price growth to moderate
- Higher rental construction will add to supply, lifting vacancies over the next two years
- Net migration will moderate through 2016, but remain elevated by historical standards

Figure 1

Total housing starts in the Regina CMA to moderate through 2016



Source: CMHC, CMHC Forecast (f)

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[1] The outlook is subject to uncertainty. Although point forecasts are presented in the publication, CMHC also presents forecast ranges and risks where appropriate. The forecasts and historical data included in this document reflect information available as of October 22, 2014.

[2] Multiple Listing Service® (MLS®) is a registered trademark owned by the Canadian Real Estate Association.

New Home Market: Rising Inventory Will Constrain Starts Through 2016

After a strong performance in 2013, total housing starts in the Regina Census Metropolitan Area (CMA) are on pace to moderate to 2,350 units in 2014, down 25 per cent from the 3,122 units initiated in 2013. Rising new home inventory and increasing competition from Regina's resale market have prompted a slower pace of housing starts this year, as have moderating employment growth and lower net migration. Moving forward, these factors will moderate total housing starts further to 2,150 units in 2015. Barring any significant drawdown on inventory, an additional reduction to 2,100 units is forecast for 2016.

With weaker construction over the summer months, single-detached starts in Regina are on pace to moderate to 750 units in 2014, down 40 per cent from the 1,246 units initiated in 2013. Elevated inventory of complete and unabsorbed units and increasing supply in the resale market have resulted in the reduction in single-detached starts this year. With slower job growth and net migration compared to previous years, this trend will continue in 2015, leading to an additional reduction to 725 starts. In the absence of strong inventory reductions, single-detached starts in Regina will moderate to 700 units in 2016.

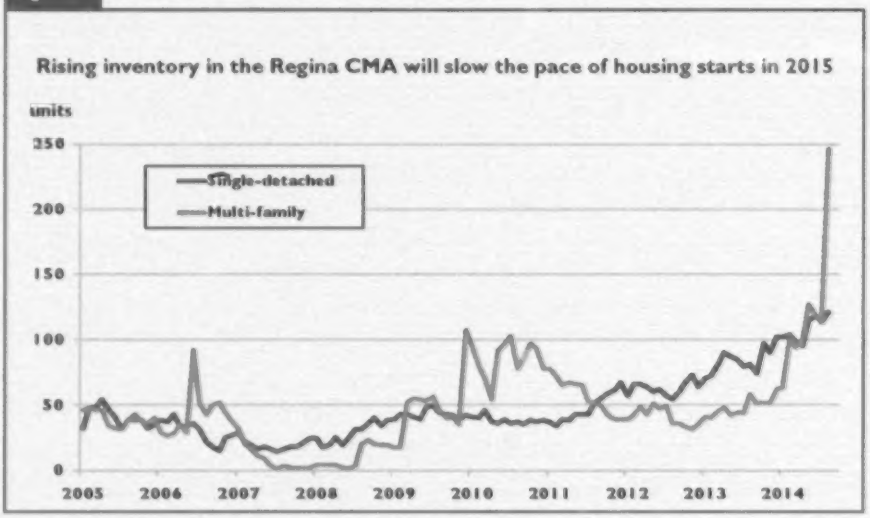
A total of 468 single-detached homes were initiated to the end of August, 44 per cent fewer than in the corresponding period of 2013. As a result, the volume of units under construction stood at 907 in August, down 27 per cent from 1,245 in August 2013. Despite fewer starts, the inventory of complete and unabsorbed single-detached units was at 121 in August, 49 per cent higher than in the same month a year earlier. Given that 64 per cent of this inventory consists of spec homes, this increases the risk of additional gains in the months ahead, which will constrain single-detached starts in 2015.

This year's slower pace of starts should help alleviate pressure on contractor selling prices measured by Statistics Canada's New House Price Index (NHPI). We expect this index to rise by only 1.8 per cent this year, compared to 2.9 per cent in 2013. Similar gains are forecast for 2015 and 2016. Correspondingly, the average new home price in Regina is projected to increase modestly to $509,000 in 2014, before reaching $517,000 in 2015 and $522,500 in 2016.

Given the current pace of production, Regina's multi-family starts, which consist of semi-detached units, rows, and apartments, are projected to reach 1,600 units in 2014, down 15 per cent from 1,876 in 2013. Rising inventory, slower employment expansion, and lower net migration are moderating multi-family starts in Regina this year.

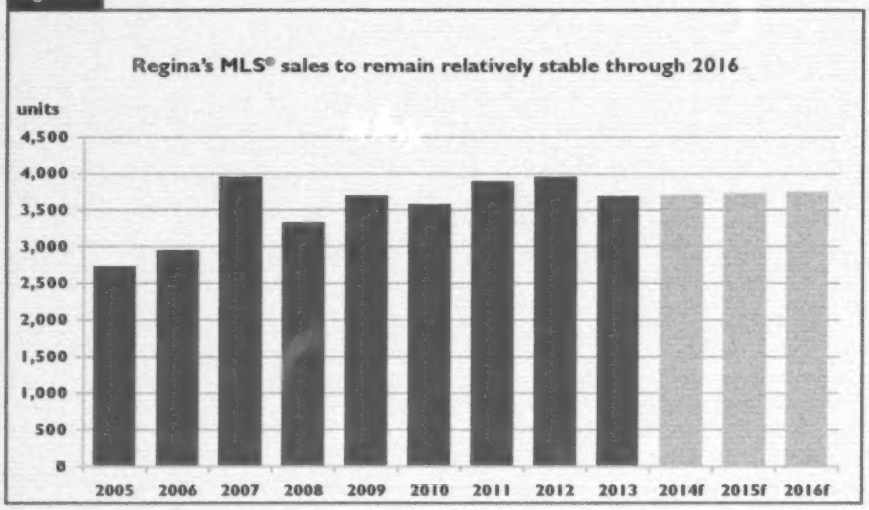
To the end of August 2014, local builders initiated 955 multi-family units, down 22 per cent from the same period of 2013. The reduction was led by apartment and row starts, which both declined by at least 30 per cent from the previous year. With absorptions continuing to lag completions this year, the inventory of complete and unabsorbed multi-family units for the ownership market stood at 246 in August, considerably higher than the 58 units in August 2013 and the highest number for any month on record. Moving forward, this will prompt a slower pace of initiating new projects. As a result, multi-family starts are forecast to moderate to 1,425 units in 2015. With inventory expected to remain elevated, a further decline to 1,400 units is forecast for 2016.

Figure 2



Source: CMHC

Figure 3



Source: CREA, CMHC Forecast (f)

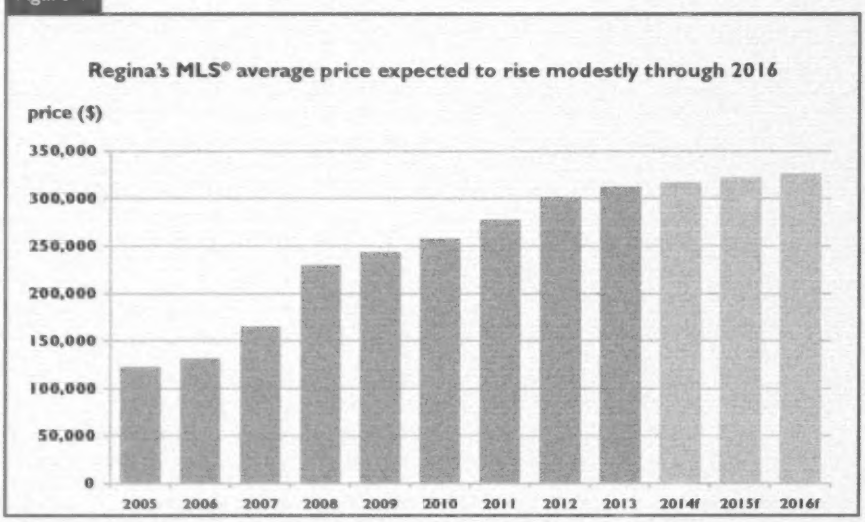
Resale Market: Stable MLS® Sales expected through 2016

Sales of existing homes in Regina are on pace to reach 3,700 MLS® transactions in 2014, virtually unchanged from 3,692 in 2013. This year's moderation in job creation, along with increasing competition from the new home market, has prevented a stronger gain in resale activity across the Regina CMA. Nonetheless, with a more rapid employment expansion forecast for next year, MLS® sales are projected to edge higher in 2015 to 3,730 units. A further increase to 3,750 transactions can be expected for 2016, supported by continued employment growth and elevated net migration.

Thus far in 2014, resale market conditions have shifted in favour of the home buyer, after supply increased faster than demand in most areas of the Regina CMA. Past years of strong resale price growth have encouraged some homeowners with equity gains to list their properties for sale. Additional listings have come from some local new home builders looking to unload their completed and unsold inventory. Collectively, these factors contributed to a 30 per cent increase in active listings to 2,442 units in August 2014, compared to 1,873 in August 2013. Moving forward, active listings are expected to remain elevated throughout the forecast period. With rising supply, the average days on market increased to 50 in August from 38 in August 2013. As a result, the sales-to-active listings ratio declined to 14 per cent in August from 20 per cent a year earlier.

Given the above conditions, the average MLS® price in Regina is forecast to increase 1.5 per cent to $317,000 in 2014, a significantly lower gain than in the past three years. Unlike previous years, sales composition has had minimal influence on Regina's average resale price. To the end of August, the share of homes selling above $400,000 rose to only 23 per cent of total sales from 21 per cent in the same period of 2013. Moving forward, we expect rising carrying costs, slightly higher mortgage rates and weaker equity gains to further inhibit the shift towards higher priced homes. These factors, coupled with higher supply levels, will lead to a moderate increase in the average resale price over the forecast period. Overall, the average MLS® price is forecast to reach $322,500 in 2015 and $326,500 in 2016.

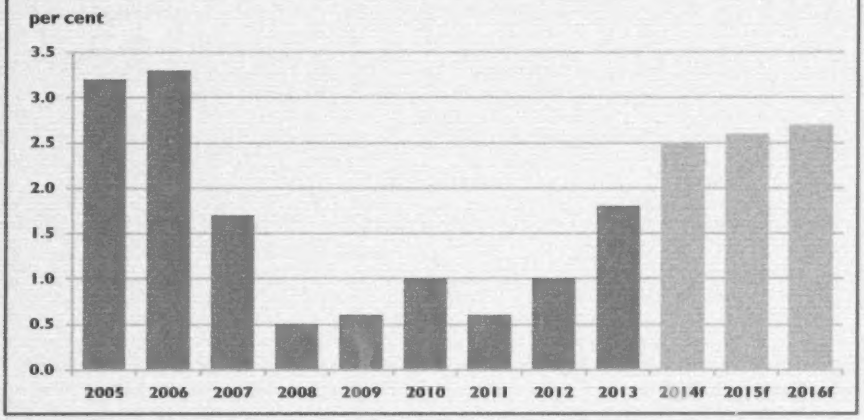
Figure 4



Source: CREA, CMHC Forecast (f)

Figure 5

Higher rental supply in the Regina CMA will lift apartment vacancies through 2016



Source: CMHC, Fall Rental Market Survey, CMHC Forecast (f)

Rental Market: Increased Rental Construction Will Lift Vacancies

After increasing to 1.8 per cent in October 2013, rental apartment vacancies in Regina will rise further to 2.5 per cent this year as more newly constructed units enter the rental universe and renters move into homeownership. Sustained rental demand in recent years has prompted an increase in rental construction over the past two years. To the end of August 2014, local builders initiated 370 apartments intended for rental tenure. This is in addition to the 730 rental apartments started in 2013. Once completed, these units will offer additional supply for renters, as will condominium apartments in the secondary rental market. These factors will contribute to slightly higher vacancies in 2015 and 2016.

With rental vacancies moving higher over the next two years, there will be little support to increase monthly rents too aggressively. That said, the addition of newly constructed units, which typically rent for more than existing units with similar specifications, will allow for slightly higher average rents. We expect the average monthly rent for a two-bedroom apartment within the Regina CMA to reach $1,055 in October 2014 from $1,018 in 2013. Further increases to $1,085 and $1,110 are projected for 2015 and 2016, respectively.

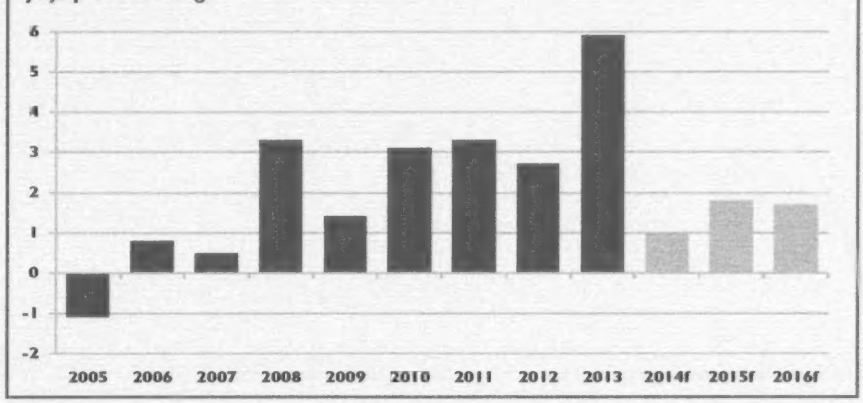
Economic Trends: Continued Job Growth Expected Through 2016

After expanding by 5.9 per cent in 2013, average employment in Regina is on pace to rise 1.0 per cent to 134,936 positions in 2014. The reduction in residential construction and the completion of some major non-residential projects has had a moderating effect on employment growth. Notwithstanding, ongoing capital investments in infrastructure, commercial, recreational, institutional and resource expansion projects will continue providing employment opportunities in the region, albeit at a more moderate pace than the 2010 to 2013 period. Project highlights include the new $278 million stadium, which will support growth in the construction sector. Regina's average employment is forecast to grow by 1.8 per cent and 1.7 per cent in 2015 and 2016, respectively.

There were a total of 1,000 positions created in Regina to the end of August 2014, compared to 7,800 in the same period a year earlier. Less than a fifth

Figure 6

Regina's job growth to moderate but still support housing demand through 2016



Source: Statistics Canada, CMHC Forecast (f)

of the jobs created were full-time, while the majority were in part-time roles. With additions to the labour force matching those to the number of people employed, Regina's average unemployment rate was unchanged at 3.6 per cent in August compared to the same month one year prior. We expect the current unemployment rate to be maintained to the end of 2014. Given tight labour market conditions, average weekly earnings in Regina rose to $987 through August 2014 from $938 in the same period the previous year. Moving forward, Regina will continue to face labour shortages in some key sectors over the next few years. This will support continued wage growth and generate an average unemployment rate of 3.9 per cent in 2015 and 4.1 per cent in 2016.

Total net migration to the Regina CMA is on pace to moderate to 5,000 people in 2014 from 5,756 in the previous year. While Regina's continued employment growth and rising wages have attracted close to 12,000 migrants to the city in the past two years, the moderating pace of job growth and relatively improving economies outside of Saskatchewan, particularly in Alberta, will reduce the number of migrants coming to the region. To this end, we expect net migration to Regina to moderate further to 4,700 people in 2015 and to 4,500 people in 2016. Despite the reduction, net migration will remain a key supporting factor to population growth, new household formation, and housing demand throughout the forecast period.

Mortgage rates are expected to remain unchanged until the latter months of 2015

Consistent with the view of Canadian economic forecasters, CMHC expects interest rates to remain unchanged until the latter parts of 2015 and then begin to increase gradually. Gradual increases in mortgage rates from historic lows are not expected to significantly impact housing demand.

According to CMHC's base case scenario for 2014, CMHC expects the one-year mortgage rate to be in the 3.00 to 3.25 per cent range, while the five-year rate is forecast to be within the 5.00 to 5.50 per cent range. For 2015, the one-year mortgage rate is expected to be in the 3.20 to 4.00 per cent range, while the five-year rate is forecast to be within the 5.25 to 6.00 per cent range. For 2016, the one-year mortgage rate is expected to be in the 3.70 to 4.60 per cent range, while the five-year rate is forecast to be within the 5.55 to 6.45 per cent range.

Trends at a Glance

Key Factors and their Effects on Housing Starts	
Mortgage Rates	Mortgage rates will remain low by historical standards and supportive of housing demand.
Employment	A slower pace of employment growth will moderate demand for newly constructed homes moving forward.
Income	Rising average weekly earnings will continue to support housing demand in the new home market.
Population	Slowing net migration to Regina will moderate housing starts through 2016.
Resale Market	Elevated listings will provide increased competition to the new home market.
New Home Inventory	Rising inventory in the new home market will compete with new home presales and be a limiting factor to a faster pace of housing starts through 2016.

Forecast Risks

This outlook is subject to some risks, including:

- A stronger than expected U.S. economic expansion or stronger growth in emerging countries could lead to higher global commodity prices, which would positively impact the Saskatchewan economy through stronger exports and more investment . This could lead to renewed momentum in housing activity.
- Further escalation in new home inventory, combined with a higher than expected increase in resale supply could precipitate a stronger reduction in housing starts than is currently forecast.
- Greater moderation in Regina's employment growth and net migration than is forecast could lead to a sharper reduction in housing starts over the forecast period.

Forecast Summary Regina CMA Fall 2014									
	2011	2012	2013	2014(F)	% chg	2015(F)	% chg	2016(F)	% chg
New Home Market									
Starts:									
Single-Detached	958	1,289	1,246	750	-39.8	725	-3.3	700	-3.4
Multiples	736	1,804	1,876	1,600	-14.7	1,425	-10.9	1,400	-1.8
Starts - Total	1,694	3,093	3,122	2,350	-24.7	2,150	-8.5	2,100	-2.3
Average Price ($):									
Single-Detached	457,947	462,023	491,292	509,000	3.6	517,000	1.6	522,500	1.1
Median Price ($):									
Single-Detached	417,651	436,494	452,500	464,000	2.5	473,000	1.9	481,000	1.7
New Housing Price Index (% chg.)	5.0	4.4	2.9	1.8	-	1.7	-	1.8	-
Resale Market									
MLS® Sales	3,899	3,952	3,692	3,700	0.2	3,730	0.8	3,750	0.5
MLS® New Listings	6,301	6,358	7,142	8,000	12.0	8,100	1.3	8,225	1.5
MLS® Active Listings	1,257	1,244	1,559	1,950	25.1	2,100	7.7	2,250	7.1
MLS® Average Price ($)	277,473	301,145	312,355	317,000	1.5	322,500	1.7	326,500	1.2
Rental Market									
October Vacancy Rate (%)	0.6	1.0	1.8	2.5	0.7	2.6	0.1	2.7	0.1
Two-bedroom Average Rent (October) ($)	932	979	1,018	1,055	3.6	1,085	2.8	1,110	2.3
Economic Overview									
Mortgage Rate (1 year) (%)	3.52	3.17	3.08	3.00 - 3.25	-	3.20 - 4.00	-	3.70 - 4.60	-
Mortgage Rate (5 year) (%)	5.37	5.27	5.24	5.00 - 5.50	-	5.25 - 6.00	-	5.55 - 6.45	-
Annual Employment Level	122,800	126,100	133,600	134,936	1.0	137,365	1.8	139,700	1.7
Employment Growth (%)	3.3	2.7	5.9	1.0	-	1.8	-	1.7	-
Unemployment rate (%)	4.7	4.1	3.7	3.6	-	3.9	-	4.1	-
Net Migration [1]	3,453	6,105	5,756	5,000	-13.1	4,700	-6.0	4,500	-4.3

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

The forecasts included in this document are based on information available as of October 22, 2014

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly Starts and Completions Survey. Building permits are used to determine construction sites and visits confirm construction stages. A start is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's Market Absorption Survey, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "absorbed" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which, have been on the market for at least three months. The survey obtains information from: owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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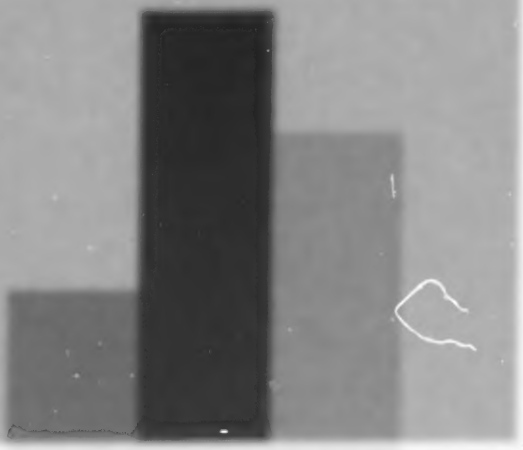

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